

The Implementation of Blue Ocean Strategy To Create A Market Niche

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ABSTRACT

Business competition among companies has led to major changes. Thus, companies must be responsive to the business strategy implemented [by competitors] and create business opportunities that can generate profits. One way is to implement Blue Ocean Strategy that allows businesses to create a niche market to get out of the red ocean competition so that competition becomes irrelevant. This study is aimed at analyzing the condition of a company implementing the Blue Ocean Strategy represented by PT Kintetsu World Express in the period of 2012-2013. By using the descriptive method and the theories in strategic management, it is clearly visible how the implementation of Blue Ocean Strategy by PT Kintetsu World Express Indonesia can make the company win the competition and becomes the “Market Leader”. Making the Internal Process Company (IPF - BOS) in order to optimize the implementation of Blue Ocean Strategy, making the value of the company and the products to be better in the consumer’s perspective.

Keywords: Blue Ocean Strategy, market leader, excellence, competitors

Introduction

The tight business competition among companies has caused great changes in management, production, marketing, human resources management, and transaction handling among companies. Companies should immediately respond the changes to prepare themselves for global competition. Sustainable breakthroughs and innovations should become their agenda to be able to maintain and expand their market share. The business strategy to be implemented should be able to create business opportunities and to generate profits. One business strategy that is much implemented recently is *Blue Ocean* strategy, that is a strategy that enables business players to create a market niche so that they can go out of the *red ocean* competition and make the competition irrelevant (Kim and Mauborgne, 2006).

The basic concept of *Blue Ocean Strategy* (BOS) is *Value Innovation*, that is a strategy of how to move from the very high competition in the *Red Ocean* level which tends to be rude because of allowing any way. When the competition is increasing, the companies should be creative. Basically, Blue Ocean Strategy is a strategy to outdo the competitors by offering innovative features of a product they neglected so far. Radically, these features are usually different from what we have seen in the market. Value Innovation is not always a technological innovation but it can be an innovation to increase the benefit for customers according to the price and cost. Value Innovation takes place only when the company integrate the innovation with the utilities, price, and cost position. Buyer value increases through the addition and creation of elements that have not been offered by the industry yet, so that the cost much decreases when the big-scale economy works following the high sales volume caused by the excellent value that has been created. (Reismania and Purwinta, 2008)

PT Kintetsu World Expres is one of freight forwarding companies that plays in logistic. It entered Indonesia in 1993 and join PT Ritra *Cargo* as a business partner (merger). However, this company separated (from PT Ritra Cargo) in 1997. Nevertheless, its business continuously grows and its main business is International Airfreight Forwarding. It uses a responsive service system network to improve its efficiency in operation and speed to serve the need of every region that has built "*The Five Regional Group Management System*" comprising:

1. Japan region,
2. American region,
3. European, Middle East, and African region,
4. East Asian and Oceanian region,
5. South-east Asian region.

At first, its sales division focuses more on the delivery service of household equipment, electronic products such as television, refrigerator, radio, and garment, spare part, even heavy equipment. In order to increase its profit, the company maximizes the Five Regional Group Management System. In addition, to win the competition among the similar companies, PT Kintetsu World Expres has also implemented various innovation to create various products in order to deliver optimum services to customers. One of them is *Blue Ocean Strategy* (BOS). The legendary example of blue ocean strategy is the winning drama of iPod over Apple that grabbed the whole market of digital music. The product of iPod is very innovative and completely different from the previous ones like walkman or CD music player dominated by Sony. Music digitalization is the key feature of iPod, in addition to its user friendliness. Immediately iPod dominated the new market of digital music and left Sony far behind in its suffer and loss. <http://strategimanajemen.com>

net/2009/08/10/sepenggal-kisah-tentang-blue-ocean-strategy/#sthash.y9CQhN3H.dpuf. (downloaded on 24 April 2015)

In this research, the writer uses the descriptive analytic method and the theory of strategic management; strategy formulation, internal business process, and Blue Ocean Strategy.

Results and Discussion

A. The Results of Analysis on Blue Ocean Strategy

In order to formulate the Blue Ocean Strategy, it needs an analytical tool namely strategic canvas that summarizes the value curve of the company and its competitors. It also needs a four-step framework to reconstruct the elements of buyer value so that it creates the blue ocean strategy. Through this framework the blue ocean strategy is formulated. The Blue Ocean Strategy will be formulated in six principles of formulation, i.e. four principles in the strategy formulation and two principles in the execution. The four principles of strategy formulation include reconstructing market definition/limitation, focusing on the big picture, reaching beyond the existing demand, and doing a series of appropriate strategic things. The two principles of execution are overcoming the main obstacles in the organization and integrating the execution into the strategy (Kim and Mauborgne, 2006).

The tools to analyze the Blue Ocean Strategy is explained in the following three things:

1. Strategy Canvas

This strategy is an action framework implemented by PT Kintetsu World Expres which is at the same time a diagnosis to build a good BOS by understanding the ongoing competition, understanding various factors that influence the product competition—services, delivery and what consumers

obtain from the competitive offers in the market, and then summarizes the offering level the buyers get in all the main factors of that competition.

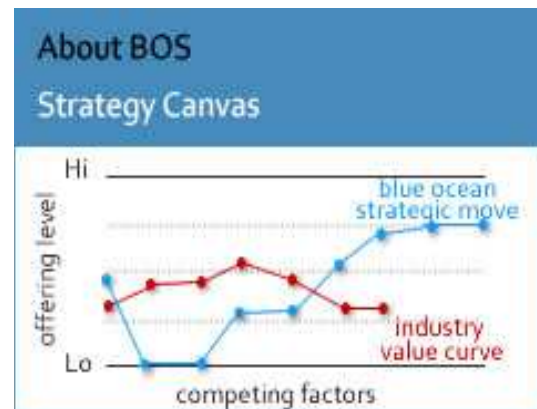


Figure 1. Strategy Canvas

The value curve, which is a basic component of strategy canvas, is a graphic description of the relative performance of the company related to the competition factors in PT Kintetsu World Expres.

2. Four-Action Framework

The four-action framework is developed by PT Kintetsu World Expres to reconstruct the elements of buyer value in making a new value curve in order to challenge the logic of strategy and business model. The *four-action framework* is as follows:

- a. What factor should be “eliminated” from various factors that have been received by the company?
- b. What factor should be “reduced” until it reaches under the company standard?
- c. What factor should be “raised” until the upper limit of the standard determined by the company?
- d. What factor that has not been offered yet by the company so that it should be “created”?



Figure 2. Four Actions Framework

From the first two questions (eliminate and reduce), and the last two questions (increase and create) we can get knowledge about how to increase the buyer value and create a new demand.

3. *ERRC Grid (Eliminate – Reduce – Raise – Create Grid)*

This scheme encourages PT Kintetsu World Express to create a new value curve.

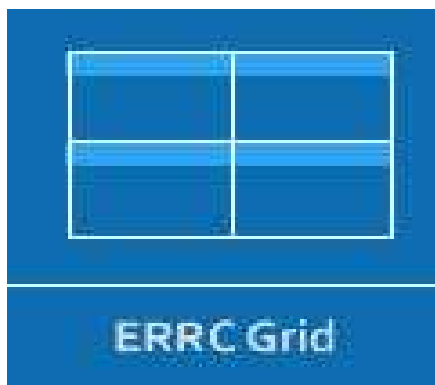


Figure 3. ERRC Grid

By encouraging PT Kintetsu World Express to fill in the scheme with actions of *eliminating*, *reducing*, *raising*, and *creating*, it can provide four benefits as follows:

- a. It encourages the company to pursue the differentiation and low cost at the same time to break in the exchange of value–cost.
- b. It strikes the companies that focus only on their efforts of raising and creating, so that it enhances their cost structure. It also strikes the companies

that frequently modify their products and services excessively (the common mistake made by many companies).

- c. It is easy for managers in any level to understand it so that it creates the high level of involvement in its implementation.
- d. It encourages the company to enthusiastically analyze each competitive factor of PT Kintetsu World Express.

B. Steps of Strategy Formulation

PT Kintetsu World Express Indonesia that operates in freight forwarding business always tries to improve its service to customers. Therefore, it should be able to create a new strategy by utilizing information both internal and external and applies the theories supporting the formulated strategy to achieve optimum results. In addition, the strategy formulation made by PT Kintetsu World Express Indonesia should be accompanied with the improvement of employee performance to strengthen its competitiveness and to create innovations that have not been made by its competitors.

The following are the steps taken by PT Kintetsu World Express Indonesia to formulate its strategy:

1. Doing self-evaluation to find the company's advantage

The management of PT Kintetsu World Express Indonesia should be able to correct and evaluate itself comprehensively to find the excellence and advantage of the company. It means that the excellence should become an icon that is difficult for the competitor to compete against. The excellent products of PT Kintetsu World Express Indonesia, among others, are:

- a) Logistic,
- b) Trucking,
- c) Warehousing.

2. Understanding the position of PT Kintetsu World Express Indonesia among the competitors.

Being in the midst of competition which is getting tighter requires the company to be able to create an “out of box” situation by continuously making self-improvement so that it will always be in a better position rather than the competitors.

The competition for market happens in the factors of price, speed of responding complaints, speed of confirming the space as well as the *airline rate* which has not been competitive according to the customer’s want. Therefore, it is necessary for the company to approach airlines and build strong relationship.

3. Making continuous innovation.

PT Kintetsu World Express Indonesia would rather evaluate sustainably the products it produces so that it knows the customer’s want exactly. In line with this, product innovation is needed as the one of important elements in the company’s existence. The new innovation is expected to be able to compete with the competitors. The innovations made by PT Kintetsu World Express Indonesia in facing the competitors are:

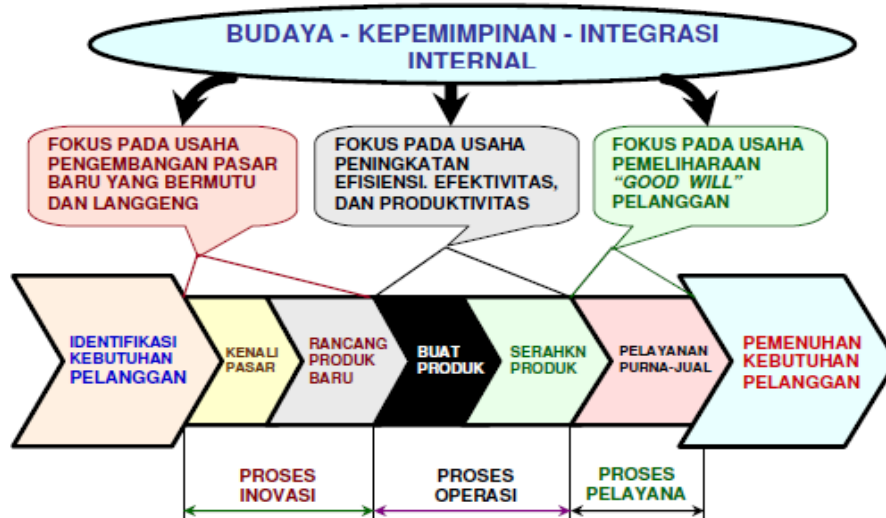
- a) Having its own freight system called *unified freight system* to allow the customers monitor the travel of their cargo.
- b) Building a cooperation with *airliners* to make a contract of rate to get lower price compared with competitors.
- c) Customer service officers can be contacted 24 hours a day, and can make reservation at any time.
- d) Adding the number of branch office throughout Indonesia to inarm the customers out side Jakarta.

4. Formulating Blue Ocean Strategy

The formulation of Blue Ocean Strategy, which can be done only if the company has a clear focus and goal, is done by PT Kintetsu World Express Indonesia to produce better process and then to create a wider market niche. (Yogi, et al., 2007)

C. The Company’s Internal Process

Internal Process should be done in depth by internal PT Kintetsu World Express Indonesia with the aim of making the company more ready in implementing Blue Ocean Strategy. The following is the description of Internal Process as a Value Chain:



Source: *Strategi Bisnis*, Frans Mard Hartanto, 2004

Figure 4. Budaya - Kepemimpinan - Integrasi

Therefore, in making changes it also should be done by the company (Frans Mardi Hartanto, 2004): need a change of concept because it will make a great reshuffle in the company. The following are conceptual changes that

Table 1 Internal Process as Value Chain Changes in Technology Concept

Konsep Lama	Konsep Baru
Umur teknologi panjang dan tidak cepat usang (10 –25 tahun)	Umur teknologi makin pendek dan cepat usang (3 bulan – 5 tahun)
Mahal pengembangannya, dan juga mahal bagi pemakainya (<i>technology</i>)	Mahal pengembangannya, tetapi makin murah bagi konsumen
Melipat-gandakan tenaga dan keterampilan manusia	Melipat-gandakan intelek dan jejaring kerja
Dirancang dengan mengabaikan pemakai	Dirancang agar mudah dipakai (<i>user friendly technology</i>)
Memungkinkan produksi masa (<i>dedicated technology</i>)	Memungkinkan kustomisasi masa (<i>flexible technology</i>)

Table 2 Changes in Production Patterns

Konsep Lama	Konsep Baru
Menentukan pola produksi	Menjadikan produksi makin adaptif terhadap kebutuhan pelanggan
Akses atas teknologi terbatas atau dibatasi	Akses atas teknologi makin mudah (<i>footloose technology</i>)
Cenderung mengganggu lingkungan	Makin akrab dengan lingkungan (<i>green technology</i>)
Manusia melayani teknologi	Teknologi menjadi alat bantu manusia
Menggantikan kerja manusia	Menjadikan manusia menjadi makin berdaya

Table 3 Changes in Resource Use

Konsep Lama	Konsep Baru
Memfaatkan banyak sumber daya	Hemat sumber daya
Mewujud dalam ukuran besar	Mewujud dalam ukuran yang makin mengecil (miniaturisasi)
Wujud fisik teknologi cenderung manggon	Wujud fisik teknologi makin portabel (mudah dipindahkan)
Teknologi canggih hanya dapat digunakan oleh para pakar	Teknologi canggih dapat digunakan orang biasa
Cenderung mengurangi kesempatan kerja (<i>negative-sum</i>)	Menciptakan banyak peluang kerja baru (<i>positive-sum</i>)

Based on the concept of pattern changes above, it should be easier for the company to implement the Blue Ocean Strategy to be the best and can adapt the consumer's want in a better way.

D. Blue Ocean Strategy

Literally, Blue Ocean Strategy is an effort to create a market niche through a continuous innovation with the main key: see the consumer's needs that has not been adapted by the competitors so that a profitable business opportunity is opened widely.

It can be said explicitly that the principles which have to be paid attention in the Blue Ocean Strategy are always creating new area where there is no competitor and leaving the area where competitors have entered. Thus, whatever the competitors do, it will not influence the company.

In order to execute the Blue Ocean Strategy, PT Kintetsu World Express Indonesia do some actions, such as:

1. Education and training for Human Resources empowerment
 - a) The employees of PT Kintetsu World Express Indonesia are mostly bachelors in their field of work and have been trained before they work.
 - b) Every six months PT Kintetsu World Express Indonesia holds dangerous goods and basic cargo training. For manager, the education and training is leadership, whereas for operator is training peb.
2. Competitive offerings for Consumers

The aim of competitive offerings is that the consumers are always satisfied when they buy the product of PT Kintetsu World Express Indonesia. The competitive offerings are such as:

 - a) Space assurance.

- b) Assurance for on schedule departure and arrival in the destination.
- c) Cargo handling services from customer's warehouse to the consignee's warehouse.
- d) Assistance in claim arrangement to the airline.

3. Satisfying services

- a) PT Kintetsu World Express Indonesia has various services including door to door, door to port, port to door, and port to port cargo handlings.
- b) Competitive price compared to the competitor's.
- c) Service quality provided, always listening to and understanding what the customer wants.
- d) Reliable, fririendly, and polite human resources.
- e) Quick and appropriate services.
- f) To build trust with real evidence.

4. Investment and development

- a) Employees are the most valuable investment.
- b) Vehicle (trucks).
- c) Branch office expansion.
- d) Warehouse development.

Conclusion

In the midst of very tight competition, the implementation of Blue Ocean Strategy carried out by PT Kintetsu World Express Indonesia finally leads the company to be "market leader", because the company has an excellence (strategy to compete) that the competitors do not have, or although the same but different in its application.

All this success is achieved because the company has made a *Proses*

Internal Perusahaan (IPF – BOS) in order to optimize the implementation of the Blue Ocean Strategy. Thus, the value of company and its products becomes better in perspective of consumers.

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